

EXHIBIT 16

PUBLIC REDACTED VERSION

(PREVIOUSLY FILED UNDER SEAL AT ECF 182-16)

Message

From: Erik Johnson [REDACTED]
Sent: 8/18/2017 12:46:13 AM
To: Scott Lynch [REDACTED]
Subject: Fwd: Re: Hey

----- Forwarded message -----

From: "Tim Sweeney" [REDACTED]
Date: Thu, Aug 17, 2017 at 5:43 PM -0700
Subject: Re: Hey
To: "Gabe Newell" [REDACTED]
Cc: "Tim Sweeney" [REDACTED] "Erik Johnson" [REDACTED]

Hi Gabe,

Not at all, and I've never heard of Sean Jenkins.

Generally, the economics of these 30% platform fees are no longer justifiable. There was a good case for them in the early days, but the scale is now high and operating costs have been driven down, while the churn of new game releases is so fast that the brief marketing or UA value the storefront provides is far disproportionate to the fee.

If you subtract out the top 25 games on Steam, I bet Valve made more profit from most of the next 1000 than the developer themselves made. These guys are our engine customers and we talk to them all the time. Valve takes 30% for distribution; they have to spend 30% on Facebook/Google/Twitter UA or traditional marketing, 10% on server, 5% on engine. So, the system takes 75% and that leaves 25% for actually creating the game, worse than the retail distribution economics of the 1990's.

We know the economics of running this kind of service because we're doing it now with Fortnite and Paragon. The fully loaded cost of distributing a >\$25 game in North America and Western Europe is under 7% of gross.

So I believe the question of why distribution still takes 30%, on the open PC platform on the open Internet, is a healthy topic for public discourse.

Tim

On Aug 17, 2017, at 7:55 PM, Gabe Newell [REDACTED] wrote:

Anything we doing to annoy you?

We're guessing Sean Jenkins public dumbness might be part of it.